

Report on Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Muhammad Ali
Advisor:	J. Baxa, PhDr.
Title of the thesis:	Role of Foreign Capital Inflows in Ec. Development of Pakistan

OVERALL ASSESSMENT *(provided in English, Czech, or Slovak):*

Although the M.A. thesis is not voluminous (net 53 pages), it contains an extensive research on the FC inflows tested on the case of Pakistan. The thesis commences with a description of FCI structure in the studied country (i.e. Pakistan) within the time span 1975-2008. Sorry that the author did not include the data for the next three years, which could add a new aspect of the time series – the world economic crisis.

Chapter 3 presents in its first part a review of the literature over the FCI determining factors in the structure of four categories of FCI. The coverage is sufficient what concerns the chosen number of discussed titles and the quality of papers. However, I would expect a somehow deeper explanation of the theoretical underpinnings of the study. Relative to that, the direct assault on the estimation of models for four categories of FCI in this very chapter seems to me rather hasty. E.g. the selected models for the FCI come there out of blue although one could imagine many other specifications which could have better theoretical backing. The estimation by 2-SLS can be accepted as appropriate from the technical point of view only.

Chapter 4 is devoted to FCI and their impact on the growth. In this case the literature review is even more extensive but, again, the theoretical reasoning for the choice of explanatory variables in the models is rather shortened (and backed by mere references to other papers). All three chosen exogenous variables are statistically significant, but can one trust that these are the authentic determining factors?

Chapter 5 targets other indicators of economic welfare potentially influenced by FCI: unemployment, income inequality and poverty backed (as before) by references to many relevant papers. Mr. Ali upgraded in this case his estimation technique and opted for the usage of the ARDL model and offered the estimation with alternative specifications. Unfortunately, the author did not explain more concretely why some of the estimations differed so substantially (e.g. in Table 5.3).

More clues about the estimation procedures and model specification are offered in extensive Appendix B. Here it became apparent that the author widely experimented with 22 explanatory variables (which in the vast majority of cases were later rejected). It was not clear to me on which grounds of theoretical reasoning these variables were chosen (including their cubic form, etc.). I would propose that the author explained that during the defence of the thesis.

Conclusions: The MA thesis of Mr. M. Ali is showing his good skills in working with more sophisticated techniques of estimation applied on an extensive list of variables in the form of time series. One must also praise his ability to select and work with a wide list of influential articles written on the given topics. However, I was less impressed by his ability to work with theories. Here the thesis could be much more concentrated and less superficial. Considering that, my assessment of the "Methods" (see below) cannot be very high. Although the presented econometric results reveal many interesting findings, their economic interpretation would deserve a much deeper analysis, including the policy recommendations.

Recommended grade: "velmi dobrý", i.e. 2 (and B in the US scale).

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SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	19
<i>Methods</i> (max. 30 points)	17
<i>Contribution</i> (max. 30 points)	20
<i>Manuscript Form</i> (max. 20 points)	17
TOTAL POINTS (max. 100 points)	73
GRADE (1 – 2 – 3 – 4)	2

NAME OF THE REFEREE: *Vladimír Benáček*

DATE OF EVALUATION: 8.6.2012

Referee Signature

